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Integrated Management Information System project

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the ninth progress report of the Secretary-General on the Integrated Management Information System (IMIS) project, contained in document A/52/711. The Committee also had before it a report of the Board of Auditors on all aspects of its updated special audit of the IMIS project (A/52/755, annex), prepared in accordance with General Assembly resolution 51/225 of 16 May 1997 and a recommendation of the Committee contained in paragraph 47 of document A/51/533. During the course of its consideration of the reports, the Committee met with the Under-Secretary-General of the Department of Management and with other representatives of the Secretary-General, who provided additional information.

2. The Advisory Committee welcomes the observations and recommendations of the Board of Auditors and fully concurs in them. The Committee was informed by the Administration that considerable progress had been made. The Committee points out, however, that much remains to be done. Annex I to the present report contains an update on corrective actions taken by the Administration during its implementation of the recommendations of the Board of Auditors.

3. The implementation of IMIS was approved by the General Assembly in December 1988. The project was originally expected to be fully implemented in January 1994 at United Nations Headquarters and in July 1994 at offices away from Headquarters. Currently the Administration believes that the project will be completed after July 1998. Upon enquiry, the Administration clarified that the development of the payroll function was scheduled to be completed by 30 June 1998 and that it was to be tested in parallel with the current payroll system at Headquarters beginning in July 1998. It is planned that the old payroll system will be phased out by 1 January 1999. Some remaining functionalities, such as insurance and time and attendance, will not be completed by July 1998 but will continue to be developed while payroll is being tested and run in parallel. The implementation of Release 3, financial and support services applications, and Release 4, payroll, at offices away from Headquarters will continue throughout 1999. The Administration further clarified that the plan was to complete the installation of the entire system at all duty stations by the end of 1999.

4. The Administration also clarified that, in addition, the contractor was still required to complete some tasks under former Release 5 related mainly to data distribution and consolidation. According to the Secretary-General, the completion date of those tasks is being determined with the contractor and will be reported in the consolidated plan. It is recalled that Release 5 initially comprised budget formulation and worldwide data transmission, including a consolidated database for global reporting. In the course of the review of the scope of the project undertaken in 1994, it was determined that the transmission software would be

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required to enable exchange of data with offices away from Headquarters. In paragraph 29 of the sixth progress report on IMIS (A/C.5/48/12/Add.1) it was stated that the Secretary-General had concluded that the most responsible course of action was to concentrate on the completion of Releases 3 (accounting) and 4 (payroll), reducing the scope of the project by not implementing the budget formulation applications (Release 5). Therefore, what remains to be performed under the former Release 5 is the data transmission part. The Advisory Committee is of the view, however, that budget formulation and implementation is an important part of the Organization's administrative and management mechanism and the integrated management system cannot be considered complete without it. The Committee requests, therefore, that the Secretary-General explore the feasibility of reinstating the development of the budget applications part of the IMIS project.

5. The ninth report of the Secretary-General provides an update of the current status of the IMIS project and the operation of the system together with a presentation of the work still to be undertaken. The report contains revised resource requirements for the development and implementation of the project and an overall summary of the estimated actual expenditures as at 31 December 1997, together with the status of the various activities as at 31 October 1997. The revised estimate of the project is $72.9 million, excluding maintenance costs, which reflects additional requirements totalling $10.4 million.

6. As can be seen from the table in section III of the ninth report, the net additional requirements of $10.4 million are attributable mainly to contractual services ($7.9 million) and general temporary assistance/overtime ($5.3 million), and also reflect an impact of reduced requirements under travel ($1.2 million), software ($0.6 million), training ($0.6 million) and hardware ($0.5 million). The requirements for contractual services of $7.9 million include an amount of $3.2 million for implementation support provided by the contractor since 1993, which, in the view of the Secretary-General, should not have been charged to the IMIS project budget. The Advisory Committee points out, in this connection, that the charge of $3.2 million was brought to the attention of the General Assembly four years after the contractor started to incur expenses in 1993.

7. As can be seen from the explanation of reduced requirements for travel, training, hardware and software (A/52/711, paras. 60-62), the reductions are due to efficient organization of work, such as combining trips to more than one duty station and arranging for training to be administered by United Nations staff instead of the contractor, to falling prices on hardware and to the negotiation of contracts at preferential rates with software vendors. The Advisory Committee notes the efforts to bring about the reductions, which, according to the information provided by the Administration, should not negatively affect the implementation of the project. The Committee stresses, however, that efforts to achieve economy should not adversely affect the training of staff, which is vital to the effective implementation and operation of IMIS. In this connection, the Committee expects that as the United Nations assumes responsibility for training, it should ensure that the expertise available from the contractor has been adequately mastered by those in the United Nations who are responsible for carrying out IMIS training.

8. The Committee notes from annex I to document A/52/711 that resource requirements for general temporary assistance total $6.6 million for 1998-1999, reflecting an increase of $5.3 million. This would provide for a staffing structure for the biennium equivalent to 25 Professional posts (1 P-5, 14 P-4 and 10 P-3) in addition to 1 P-2 proposed for three months and 5 General Service posts (Other level). The Committee shares the view of the Secretary-General expressed in paragraph 4 of the annex that, owing to year 2000 requirements, it is imperative that Releases 3 and 4 be implemented at offices away from Headquarters before the end of 1999.

9. With regard to the proposed requirements of $5.4 million for contractual services for 1998-1999, the Advisory Committee stresses the need to improve considerably control over expenditures, relating them more closely to specific deliverables related to software changes. It is recalled that a contractor was engaged in May 1991 to develop IMIS at a total price of $17 million; by August 1996, after 13 amendments, the price had increased to $34.5 million. The contract was further amended in August 1997 to provide for a total amount of $37.2 million. The Committee notes from the table in section III of document A/52/711 that the cost of contractual services for the IMIS project is now estimated at $42.2 million. As the Board of Auditors noted in paragraph 79 of its report (A/52/755), the time and cost overruns were partially due to deficiencies in the original specifications of IMIS when the system was conceived. The Committee believes that a thorough analysis of the reasons for the increase in the cost of the IMIS contract (along the items listed in paragraph 79 of the Board of Auditors' report) should be carried out by the Office of Internal Oversight Services and the results submitted by the Secretary-General to the Committee.

10. The Advisory Committee points out that in spite of the significant increase in the price of the contract, a performance bond of $1.7 million was not adjusted

accordingly and now represents less than 5 per cent of the cost of the contract, while initially it was established at 10 per cent. The Committee was not provided with a satisfactory clarification of the issue, and it therefore requests that the Secretary-General review the feasibility of amending the contract to increase the performance bond so that it would reflect 10 per cent of the most recently updated cost of the contract.

11. In the view of the Advisory Committee, the findings of the Board of Auditors set out in paragraphs 60 to 65 of its report point to poor project management, implementation and monitoring. For example, the Administration had not updated the list of deliverables since September 1994, even though it had subsequently added new tasks to the contract and had dropped several major sections, such as the budget formulation part of Release 5. Furthermore, the work plan was not changed after March 1995, and as a result it was outdated and of little practical use. Payments to the contractor were made without due regard for the timing and quality of deliverables but only on the basis of the number of hours claimed, according to the attendance log maintained by the Administration. In such a situation there is little incentive for contractors to complete tasks within an agreed work schedule since, instead of being penalized for delays, they are actually rewarded by being paid for additional hours worked.

12. The findings of the Board of Auditors given in paragraphs 67 to 72 of its report have led the Advisory Committee to believe that the Administration may have made erroneous payments for out-of-scope work. In this connection, the Committee notes the conclusion of an internal study commissioned by the Administration that out of 214 changes made in Release 3, which were accepted as enhancements and paid for accordingly, 199 changes were made to correct errors that should have been corrected under the warranty (para. 70). The Committee also notes the observation by the Board of Auditors that the lack of a proper evaluation of whether changes were within or outside the scope of the contract rendered the Organization vulnerable to claims from the IMIS contractor for additional payment (para. 72). In the opinion of the Committee, this vulnerability was exacerbated by the absence of an adequate number of qualified Secretariat staff.

13. Upon enquiry the Advisory Committee was informed that, as recommended by the Board of Auditors, an administrative officer was assigned to the project in 1995. He was in charge of all administrative matters related to the project. He assisted the Chief of the project in contract management, but did not possess specific experience in that area and was transferred to another position. The Department of Management has recently assigned a contract officer to assist and advise the chief of the project on contractual issues and is planning to assign an accounting clerk on a part-time basis to assist with accounting issues. Moreover, the Committee was informed that currently there were nine vacancies in the IMIS project: 1 P-5, 2 P-4, 5 P-3 and 1 General Service. All vacancies were advertised and some were re-advertised. Applications have been received and are being evaluated and, according to representatives of the Secretary-General, interviews should be completed by the end of March 1998.

14. The Advisory Committee also notes from paragraph 82 of the report of the Board of Auditors that the Administration had paid $2.59 million to the IMIS contractor as a compensation for delays attributed to the United Nations. When the contract was renegotiated in March 1994, the IMIS contractor accepted 25 per cent of the responsibility for the delays and requested the United Nations to compensate it for the rest of the delay in executing the project. However, neither was the delay analysed nor were any remedial measures taken. The Committee was provided with additional information on IMIS contractual arrangements, which is reproduced in annex II to the present report.

15. The Advisory Committee notes from the ninth progress report of the Secretary-General that improvements to Release 3 need to be carried out by both United Nations personnel (the Accounts Division) and the contractor. The Administration clarified that the tasks to be performed were different: the contractor is to make and deliver changes to the software, while the United Nations personnel will provide the specifications, follow the development work, prepare and conduct extensive testing, conduct training of users and perform other technical tasks (conversion of data, preparation of report specifications, testing of reports, etc.) for the implementation of the changes.

16. The Advisory Committee was provided, upon request, with additional information on the contribution of United Nations peacekeeping operations to the IMIS project, their benefits from IMIS and future plans for IMIS in peacekeeping operations. The Administration has indicated that peacekeeping operations had contributed $8.5 million through their budgets to the IMIS project. Since the inception of IMIS, the Department of Peacekeeping Operations has been the major user of the system at Headquarters. The financial transactions processed in the field are incorporated into IMIS at Headquarters, and all the financial transactions processed by the Department are performed through IMIS. Approximately 33 per cent of

personnel actions currently administered through IMIS belong to the Department.

17. The Administration has also clarified that when the project was launched it was not planned to have the system implemented at peacekeeping missions. Both the IMIS team and the Department have been looking at technical solutions for extending the system to peacekeeping operations. Therefore a special project to test a new technology for the remote assessing of IMIS was undertaken (paras. 41 and 42, A/52/711). Such technology is of interest not only to the United Nations but also to other organizations using the system. A report summarizing the findings of the project is under preparation and will be circulated among all the interested users of IMIS for further consideration.

18. The Advisory Committee was informed that negotiations were under way with the contractor to settle the question of what charges already billed to or paid by the United Nations might be covered under warranty. Also, negotiations are being conducted regarding additional work for Release 4 and on re-engineering the remaining contract. The Committee shares the concern of the Board of Auditors about the ability of the United Nations to negotiate changes to the contract on equal terms with the contractor (para. 72, A/52/755) and shares the Board's recommendation that the Administration address the need to secure adequate in-house expertise on technical features of the system in order to reduce dependence on the IMIS contractor (para. 75).

19. It is recalled that the ninth progress report of the Secretary-General contained a proposal initially mentioned in the second performance report for the biennium 1996-1997 (A/C.5/52/32), to finance the additional requirements of $10.4 million for IMIS through transfers from other sections of the programme budget for the biennium 1996-1997 in which under-expenditures were realized. In the course of its consideration of that report, the General Assembly included a special provision of $3 million for IMIS in the final appropriation for the biennium, provided that the amount would not be encumbered without the prior approval of the Advisory Committee. The Committee received a preliminary indication of how the $3 million would be spent, but it has not yet received a formal request for its concurrence. The Committee will revert to the matter upon the receipt of such a request.

20. The representatives of the Secretary-General informed the Advisory Committee during its current session that a preliminary analysis of actual expenditures as at 31 December 1997 indicated that it might be possible to accommodate additional requirements of up to $7.4 million for the IMIS project within the overall limit of the final appropriation of $2,542,071,900 for the biennium 1996-1997 approved by the General Assembly in its resolution 52/213 A of 22 December 1997. In that connection, the Committee recalls that a number of outputs were deferred, postponed or curtailed during the biennium 1996-1997.[1] The Committee will examine the feasibility of the Secretary-General's assumption with regard to the amount of up to $7.4 million in the context of paragraph 6 (b) of resolution 52/213 A, in which the Assembly authorized the Secretary-General to transfer credits between sections of the budget with the concurrence of the Committee. Any amounts transferred would be placed in the IMIS account, which is a multi-year account. Related commitments would not be entered into without the prior approval of the Committee, which will take into account developments with regard to the negotiations with the IMIS contractor.

Notes

[1] *Official Records of the General Assembly, Fifty-second Session* (A/52/7), para. 12.

Annex I

Corrective action taken by the Administration

Concerning the recommendations of the Board of Auditors, the Administration is taking the following actions:

(a) Plan of action for the completion of tables and periodic review of the accuracy of the data

The plan will be established within the framework of the activities of the Task Force on Human Resources that has recently been convened. The accuracy of the human resources data is being reviewed at all duty stations within the framework of the implementation of Release 2, scheduled for April. The verification of the accuracy of the data will be done on an ongoing basis by the Office of Human Resources Management and offices away from Headquarters. Those tasks are being performed within existing resources.

(b) Analyse the reasons why Release 2 did not work and draw up a plan of action for activating the System

The reasons for the problems with Release 2 are described in the ninth progress report (A/52/711) and had been referred to in the seventh progress report (A/C.5/50/35). The re-engineering of Release 2 has been completed; system testing is scheduled to start on 24 February 1998; training of users is scheduled to start in mid-March; and the new Release 2 will be activated on 20 April 1998. Resources for contractual services in the amount of $340,000 have been budgeted in addition to work being performed by the IMIS team and the Office of Human Resources Management within existing resources (training, testing, manuals).

(c) Development of diagnostic tools

Eight diagnostic tools have been developed so far. They are being used to monitor the quality of the data and will be further refined. The development of other diagnostic tools, including for payroll, is under review. These have been developed primarily by IMIS team members.

(d) Development of regular reports to facilitate the preparation of financial statements

A total of eight reports remain to be completed. Standardized queries are available to provide the necessary data. As at the end of February 1998 78 financial reports will be available to users. The related costs have been included in temporary assistance and contractual costs incurred to December 1997. Future costs, related also to other reporting needs, have been budgeted in the tables in paragraph 2 ($0.9 million as temporary assistance) and paragraph 8 ($0.3 million as contractual costs) of document A/52/711, annex I.

(e) Preparation of a comprehensive plan of action for all the outstanding problems generated in the System

The plan to address the priorities issue and the resources required is under development. It is expected to be completed by mid-March. It should be noted that the plan is geared towards addressing the priority issues and not all the issues, since, owing to the nature of the software, there will always be issues to be added as lower priority items. An amount of $3.7 million has been budgeted (A/52/711, annex I, para. 8).

(f) Amendment of the contract to update the list of deliverables and work plan and use them to monitor payments and deliverables

This work is scheduled to be completed by the end of March 1998.

(g) Definition of system enhancement requests in order to ensure that the contractor carries out work within the scope of the contract

This is being implemented for both outstanding Release 3 items and for Release 4. Close monitoring of these activities will be enforced.

(h) Adequate in-house expertise

(i) Deployment of qualified manpower to develop in-house capability to manage the system

The recruitment against the remaining vacant posts is being accelerated.

(j) Full implementation of the long-term maintenance plan taking into account requirements and responsibilities of user offices

Each concerned office will finalize its plan by mid-1998.

(k) Overhaul of the existing reporting facility to minimize the necessity of ad hoc queries

The reporting facility has been improved to facilitate the selective downloading of data. Performance issues are being addressed. The facility for launching standardized queries that are required by a limited number of specialized users and need not to be included in the reporting facility is under construction. Part of the work is being carried out within existing resources. The budgetary provisions referred to under (d) above also relate to this item.

Annex II

Information on contractual arrangements for the Integrated Management Information System provided by the Administration to the Advisory Committee on Administrative and Budgetary Questions

History of the contract

In 1991, after competitive bidding, two companies were shortlisted and the current contractor was eventually selected. The contract amount was $17.1 million. The original contract was for the development of the system according to specifications prepared under phase 2 of the project by another contractor. The proposal that was received from that contractor in 1991 was $25 million. The latter had developed the specifications following a study conducted by a third consulting company.

At the time of the selection, the contractor's cost structure (hourly rates per type of staff) was the second lowest. The same price structure has been maintained for all activities (base contract and out-of-scope work), adjusted by the annual cost-of-living increment until July 1997. This price structure is still in force for the base contract. The rates were revised for out-of-scope work in July 1997. Even with this revision, they are still lower than those proposed by the other four companies in 1991.

The request for proposal called for the development of the system and for the delivery of the whole system at the end of the contract. Since this approach appeared to be too risky, the request for proposal also included a provision to review whether a staged approach, i.e., development and delivery of the system by releases for a staged implementation by the United Nations, would be preferable.

The performance bond was established in 1991 on the basis of the initial value of the contract and to protect the United Nations if the system was not delivered or if it had not functioned after delivery.

At the beginning of 1992 the contract was subsequently modified for implementation by releases. This allowed the United Nations to receive both the code and the system progressively, thus reducing the risk. Most of the additional work to be performed as out-of-scope work represented time and material for additional or modified functionalities being delivered on an ongoing basis, plus implementation and operations support activities. The need to increase the value of the performance bond was not considered.

When the decision was made to implement the system by releases, the contractor recommended that the first release be the one related to human resources, since it was the most complete one in the design documents prepared by the prior contractor.

The code for Release 1 was delivered in April 1993. The release was not implemented until September 1993. The implementation was made possible by a decision made in mid-1993 by the IMIS Steering Committee to request the contractor to provide additional services for the implementation and maintenance of Release 1. This was believed to be necessary because of the lack of preparedness of the United Nations to implement Release 1 by itself.

In January 1994, the contractor requested a renegotiation of the contract, mainly as a result of delays on the part of the United Nations in completing the work. Another point raised by the contractor was the fact that the United Nations had not deployed a sufficient number of staff to cope with the requirements of the project. A revision was made to the scope of the contract.

In mid-1994, the United Nations undertook a review of the level of resources available to support the completion of the development of the system and for its implementation. The reprogramming and rebudgeting of the system were endorsed by the General Assembly and the project activities were redirected. This exercise was analysed and reviewed by the Board of Auditors in its special audit of the project conducted during the second half of 1994.

During the second quarter of 1994, the contractor started delivering most of the Release 3 (financial applications) system code and the United Nations assigned a team of users to test and review the system. The user review resulted in a large number of changes to the code.

On 1 April 1996, Release 3, the core of the system, was implemented. As was already reported, it turned out to be an extremely difficult undertaking since most of the transactions having financial implications were changed, a new account code structure was introduced, and more than 1,000 staff had to be trained. The conversion of data from

the old systems was also extremely demanding. The contractor was heavily involved in the implementation, support and post-implementation tasks of that Release. Those activities were clearly out of scope.

Contract specifications

The base contract is a fixed-price contract. It was meant to provide a fully tested and operational system according to the specifications established in 1991 after extensive work with users worldwide. One of the underlying assumptions reflected in the proposal made by the contractor was that there would be limited expansion in the project scope. Fixed-price contracts are a suitable modality when specifications are adhered to. In the case of the IMIS contract, specifications provided to the contractor represented the best knowledge of the business of the United Nations by the staff at that time. The auditors have concluded, and the Administration concurs, that those specifications have proven to be inadequate. In fact, because of the evolution of requirements acquired through the analytical process for developing the system, IMIS, as it stands now, is significantly different from that which was originally conceived and reflected in the contract.

When the contract was renegotiated in early 1994, it was assumed by both parties that the revised specifications agreed upon in November 1993 for changes to Release 3 were definitive and stable to allow a timely implementation of the system in 1995.

Testing of the first components of Release 3 started in May 1994, mainly with a new team of United Nations staff from the Accounts Division. It was the first time that the United Nations was able to assign to IMIS a full team of system accountants and staff with prior experience in financial systems development and implementation. The delay in involving users, addressed in various audit reports since 1992, was due to the lack of expertise in the area of systems development in the United Nations and the limited staff resources available to work with the contractor and the IMIS team. The team that tested the system identified deficiencies in the system as constructed, both in terms of errors in operations (contractor's responsibility) and in usability of the system (incorrect specifications on the part of the United Nations). This assessment led to the creation of a new task of "user review", which was carried out between September 1994 and April 1995 and determined major changes to Release 3. These were in addition to changes necessary to meet the contract specifications.

One of the main issues that has been addressed by the auditors is related to the way in which it was decided to change the system as of December 1994. The contractor was bound to make changes to the system to meet the original specifications, as revised at the end of 1993, which .meant that the contractor would have to introduce changes twice in certain cases. This would have resulted in major additional costs for the United Nations and further delays in the implementation of Release 3. It was, however, agreed that all changes would be made at the same time. It should be noted that the contractor did not bill more than 10,000 hours for work performed on Release 3.

In retrospect this change in strategy should have been better documented and the contract amended accordingly. The monitoring of the work performed, however, would not have been materially different owing to the nature of the tasks and the impossibility of separating the work done under the base contract and out-of-scope work. Most often they were performed simultaneously.

It is important to note that there appears to be a misunderstanding in the interpretation of the contract on the part of the auditors. It is the release of the 10 per cent holdback only and not the payment for each stage that is due after certifying that the work under that stage has been satisfactorily completed and all relevant major deliverables have been accepted. Article 13.5 of the contract specifies that, solely for the purpose of tracking payments to be made to the contactor under article 14, the cost of the contract had been budgeted by stage of work. In addition, article 14.1 of the contract stipulates that the United Nations would make monthly progress payments to the contractor, and the monthly invoices would be submitted to the United Nations in accordance with the hourly rates set forth in the contract.

Indeed, all such factors as the change in the phasing of the system, additional tasks and scope changes, concurrent activities under the base fixed-price contract and under task order, and amendments for work to be billed on a time and material basis, made it extremely difficult to monitor the contract.

Since 1994, additional contractor costs have arisen in the following areas:

(a) Project management costs, identified separately, due to the extension of the completion of the project beyond mid-1995 as foreseen in the renegotiated contract of 1994;

(b) Changes to the system arising from new or changed requirements;

(c) Implementation and operation support activities required owing to the lack of sufficient staff resources within the Secretariat.

The definition of the priorities was determined by the user areas or imposed by immediate operational needs. The level of commitment of United Nations resources lagged behind the need for the United Nations to take over the operational responsibility for the system. The project team consequently had to assume far more responsibilities than were originally expected. This problem had already been identified by the independent experts who had conducted a study in 1992 at the request of the General Assembly and by the Board of Auditors in its 1993 report but was not adequately addressed. The project team and the chief of the project were faced with an unwarranted and excessive volume of work.

For those reasons the contractor's services were used in part to compensate for the lack of sufficient internal resources.

In mid-1994, a system of task orders was made part of the contract after approval by the Headquarters Committee on Contracts. Orders for specific tasks were issued. In addition, major changes to the system for Release 3 were identified. As of mid-1995, funding was also provided for in the contract under the global heading of Release 2 maintenance and Release 3 maintenance activities with specific ceilings. No individual task orders were issued under those headings. This was due to the extremely high volume of activities, the frequent changes in requirements and priorities and the physical inability of the project team to cope with the workload. The contractor, however, performed tasks at the request and under the supervision of the IMIS project team staff.

The amounts billed were monitored by tracking the actual number of hours worked, the migration to production of changes to the system and other services provided as and when required. It should be noted that, owing to the nature of the work, it is not possible to monitor the amount of time spent on each individual task. Most often, individual tasks are performed in a consolidated manner when a specific part of the code is "opened" to make changes. Since 1 May 1996 to date, there have been about 359 changes that were migrated to production. In addition, extensive work was undertaken for the technical upgrade of the system (more than 300 items needed to be corrected).

It should be emphasized that the contractor performs its work based on the priority established by the users and the United Nations IMIS team. The specifications of changes are documented, reviewed and approved by the United Nations. The changes are then delivered to the Organization for testing and are migrated once approval of the United Nations is obtained. All the work performed is documented.

The Administration recognizes that the procedures followed were less than optimal but were practical and prudent, even if they were not as complete as the auditors would like. Lessons learned include the following:

(a) Staff resources assigned to the project team itself should have been more adequate;

(b) Within the United Nations, more adequate staff resources should have been provided, ownership of the system should have been transferred earlier, and responsibility should have been assumed earlier for the various activities at the appropriate levels in the user areas. Although corrective actions were undertaken in 1994 and 1995 as far as Release 3 was concerned, this was clearly too late and insufficient;

(c) There should have been formal controls to link payments for out-of-scope work more closely to specific items. This lack of detail was a direct consequence of the inadequate resources assigned to the project team;

(d) The original specifications provided as a basis for the contract in 1991 were not complete;

(e) The magnitude and complexity of the task were underestimated from the inception of the project.

While those shortcomings are recognized, the Administration wishes to point out that in the case of project management, the main objective continued to be the delivery of a functioning system. The Administration considers that due recognition should be given to the fact that the system is in operation. It is far from being perfect, but the system has been implemented to a large extent.

The Administration wishes to point out again that the issues related to IMIS are not unique for this type of undertaking.

In accordance with the recommendations of the Board of Auditors and as indicated to the Advisory Committee, the following activities are being undertaken as far as the contract is concerned :

(a) Review of the base contract to identify deliverables that are still pending;

(b) Updating of the work plan for Releases 4 and 5;

(c) Negotiation on and detailed definition of tasks that remain to be accomplished and that would be out of scope, to be billed on a time and material basis. The costs

have been estimated to total up to $5 million (A/52/711, annex I, para. 8, table).

In addition, discussions are taking place on the definition of out-of-scope work as far as items delivered in the biennium 1996-1997 are concerned.